



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Notice of Intent to Amend Regulations

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Insurance Commissioner, pursuant to the authority of section 38a-72(d) of the Connecticut General Statutes, proposes to amend its current regulations concerning risk based capital for insurers.

Risk Based Capital For Insurers

Section 1. Section 38a-72-1 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-72-1. Definitions

As used in [Sections] sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies:

(a) "Adjusted RBC Report" means an RBC Report which has been adjusted by the commissioner in accordance with [Section 38a-72-2(c)] section 38a-72-2(e) of the Regulations of Connecticut State Agencies[.];

(b) "Commissioner" means the Insurance Commissioner of the State of Connecticut.

(c) "Corrective Order" means an order issued by the commissioner specifying corrective actions which the commissioner has determined are required[.]

(d) "Domestic insurer" means any insurance company domiciled in Connecticut[.]

(e) "Foreign insurer" means any [life and/or health] insurance company [which] that is licensed to do business in Connecticut under [Section] section 38a-41(a) of the Connecticut General Statutes but is not domiciled in Connecticut[.]

(f) "NAIC" means the National Association of Insurance Commissioners[.]

(g) ["life and/or health insurer"] "Life and/or health insurer" means any insurance company licensed under section 38a-41 of the Connecticut General Statutes, or a licensed property and casualty insurer writing only accident and health insurance[.]

(h) "Property and casualty insurer" means any insurance company licensed under section 38a-41 of the Connecticut General Statutes but shall not include monoline mortgage guaranty insurers, financial guaranty insurers and title insurers[.]

(i) "Negative Trend" means, with respect to a life and/or health insurer, a negative trend over a period of time, as determined in accordance with the "Trend Test Calculation" included in the Life RBC Instructions[.];

(j) "RBC" means risk based capital[.]

(k) "RBC Instructions" means the RBC Report including risk-based capital instructions adopted by the NAIC, as such RBC Instructions may be amended by the NAIC from time to time in accordance with the procedures adopted by the NAIC[.]

(l) "RBC Level" means an insurer's Company Action Level RBC, Regulatory Action Level RBC, Authorized Control Level RBC, or Mandatory Control Level RBC where:

(1) "Company Action Level RBC" means, with respect to any insurer, the product of 2.0 and its Authorized Control Level RBC;

(2) "Regulatory Action Level RBC" means the product of 1.5 and its Authorized Control Level RBC;

(3) "Authorized Control Level RBC" means the number determined under the risk-based capital formula in accordance with the RBC Instructions; and

(4) "Mandatory Control Level RBC" means the product of .70 and the Authorized Control Level RBC[.];

(m) "RBC Plan" means a comprehensive financial plan containing the elements specified in [Section] section 38a-72-3(b) of the Regulations of Connecticut State Agencies. If the commissioner rejects the RBC Plan, and it is revised by the insurer, with or without the commissioner's recommendation, the plan shall be called the ["Revised RBC Plan."] "Revised RBC Plan";

(n) "RBC Report" means the report required in [Section] section 38a-72-2 of the Regulations of Connecticut State Agencies[.]; and

(o) "Total Adjusted Capital" means the sum of: an insurer's statutory capital and surplus; and such other items, if any, as the RBC Instructions may provide.

Sec. 2. Section 38a-72-3 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-72-3. Company action level event

(a) "Company Action Level Event" means any of the following events:

(1) The filing of an RBC Report by an insurer which indicates that:

(A) The insurer's Total Adjusted Capital is greater than or equal to its Regulatory Action Level RBC but less than its Company Action Level RBC; [or]

(B) If a life and/or health insurer, the insurer has Total Adjusted Capital which is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and 2.5 and has a negative trend; or

(C) If a property and casualty insurer, the insurer has total adjusted capital which is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and 3.0 and triggers the trend test determined in accordance with the trend test calculation included in the Property and Casualty RBC instructions;

(2) The notification by the commissioner to the insurer of an Adjusted RBC Report that indicates the event in subdivision (1) of this subsection, provided the insurer does not challenge the Adjusted RBC Report under [Section] section 38a-72-7 of the Regulations of Connecticut State Agencies; or

(3) If, pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, an insurer challenges an Adjusted RBC Report that indicates the event in

subdivision (1) of this subsection, the notification by the commissioner to the insurer that the commissioner has, after a hearing, rejected the insurer's challenge.

(b) In the event of a Company Action Level Event, the insurer shall prepare and submit to the commissioner an RBC Plan which shall:

(1) Identify the conditions [which] that contribute to the Company Action Level Event;

(2) Contain proposals of corrective actions [which] that the insurer intends to take and would be expected to result in the elimination of the Company Action Level Event;

(3) Provide projections of the insurer's financial results in the current year and at least the four (4) succeeding years, both in the absence of proposed corrective actions and giving effect to the proposed corrective actions, including projections of statutory operating income, net income, capital and/or surplus. (The projections for both new and renewal business might include separate projections for each major line of business and separately identify each significant income, expense and benefit component);

(4) Identify the key assumptions impacting the insurer's projections and the sensitivity of the projections to the assumptions; and

(5) Identify the quality of, and problems associated with, the insurer's business, including but not limited to its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

(c) The RBC Plan shall be submitted within forty-five (45) days of the Company Action Level Event; or if the insurer challenges an Adjusted RBC Report pursuant to [Section] section 38a-72-7 of the Regulations of Connecticut State Agencies, within forty-five (45) days after notification to the insurer that the commissioner has, after a hearing, rejected the insurer's challenge.

(d) Within sixty (60) days after the submission by an insurer of an RBC Plan to the commissioner, the commissioner shall notify the insurer whether the RBC plan shall be implemented or is, in the judgment of the commissioner, unsatisfactory. If the commissioner determines that the RBC Plan is unsatisfactory, the notification to the insurer shall set forth the reasons for the determination, and may set forth proposed revisions [which] that will render the RBC Plan satisfactory, in the judgment of the commissioner. Upon notification from the commissioner, the insurer shall prepare a Revised RBC Plan, which may incorporate by reference any revisions proposed by the commissioner, and shall submit the Revised RBC Plan to the commissioner within forty-five (45) days after the notification from the commissioner; or if the insurer challenges an Adjusted RBC Report pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, within forty-five (45) days after notification to the insurer that the commissioner has, after a hearing, rejected the insurer's challenge.

(e) In the event of a notification by the commissioner to an insurer that the insurer's RBC Plan or Revised RBC Plan is unsatisfactory, the commissioner may at the commissioner's discretion, subject to the insurer's right to a hearing under [Section] section 38a-72-7 of the Regulations of Connecticut State Agencies, specify in the notification that the notification constitutes a Regulatory Action Level Event.

(f) Every domestic insurer that files an RBC Plan or Revised RBC Plan with the commissioner shall file a copy of the RBC Plan or Revised RBC Plan with the insurance commissioner in any state in which the insurer is authorized to do business if:

(1) Such state has an RBC provision substantially similar to section 38a-72-8(a) of the Regulations of Connecticut State Agencies; and

(2) The insurance commissioner of that state has notified the insurer of its request for the filing in writing, in which case the insurer shall file a copy of the RBC Plan or Revised RBC Plan in that state no later than the later of:

(A) Fifteen (15) days after the receipt of notice to file a copy of its RBC Plan or Revised Plan with the state; or

(B) The date on which the RBC Plan or Revised RBC Plan is filed under subsections (c) and (d) of section 38a-72-3 of the Regulations of Connecticut State Agencies.

Statement of Purpose: To amend current regulations regarding risk based capital for insurers consistent with the National Association of Insurance Commissioners' Risk Based Capital For Insurers Model Act which will incorporate a newly developed trend test into the risk based capital formula for property and casualty insurers.

All interested persons are invited to submit written data, views, or arguments in connection with the proposed action no later than July 27, 2006 to the State of Connecticut, Insurance Department, Attention: Jon Arsenault, Esq., P.O. Box 816, Hartford, CT 06142-0816.


Susan F. Cogswell
Insurance Commissioner